

FILED
Clerk
District Court

UNITED STATES DISTRICT COURT
NORTHERN MARIANA ISLANDS

JUL 22 2008

For The Northern Mariana Islands
By _____
(Deputy Clerk)

UNITED STATES OF AMERICA,

Criminal Case No.

Plaintiff,

CR 08 - 00020
INDICTMENT

v.

Title 18, U.S.C. § 371--Conspiracy (Ct. 1);
Title 18, U.S.C. § 1343--Wire Fraud (Ct. 2);
Title 18, U.S.C. § 666--Theft Concerning
Federal Funds (Ct. 3); Title 18, U.S.C. § 2--
Aiding and Abetting.

TIMOTHY P. VILLAGOMEZ,
ANTHONY C. GUERRERO,
JOAQUINA V. SANTOS, and
JAMES A. SANTOS,

Defendants.

THE GRAND JURY CHARGES THAT:

COUNT ONE

CONSPIRACY TO DEFRAUD THE UNITED STATES

Introduction

1. From in or about February 1998 and continuing to in or about July 2008, the defendants Timothy P. VILLAGOMEZ, Anthony C. GUERRERO, Joaquina V. SANTOS, and James A. SANTOS, within the District of the Northern Mariana Islands and elsewhere, together with others known and unknown to the Grand Jury, unlawfully, willfully and knowingly did combine, conspire, confederate, and agree together and with each other to commit offenses against the United States to wit: Wire Fraud, Title 18, United States Code, Section 1343; and Theft Concerning Federal Funds, Title 18, United States Code, Section 666, all in violation of Title 18, United States Code, Section 371.

Participants in the Scheme

2. At all times material to the Indictment, the Commonwealth Utilities Corporation (“CUC”) was a publicly-owned, semi-autonomous agency responsible for providing power and water to the people of the Commonwealth of the Northern Mariana Islands (“CNMI”). During all one year periods beginning January 1, 1998 through January 31, 2007, the CUC received more than Ten Thousand Dollars (\$10,000.00) in federal money.

3. At all times material to the Indictment, ISLAS Micronesia Sales (“ISLAS”) was a company licensed by the Commonwealth Department of Finance to engage in business in the CNMI. Defendant James A. SANTOS owned and operated ISLAS. The business telephone number of ISLAS was 670-288-1178 and the fax number was 670-288-1168. These numbers are also listed as the private numbers of defendant James A. SANTOS.

4. At all times material to the Indictment, Blue Pacific was a company licensed by the Commonwealth Department of Finance to engage in the business of “General Retail Merchandising” in the CNMI. Defendant Joaquina V. SANTOS owns Blue Pacific and defendant James A. SANTOS was identified as an authorized agent for Blue Pacific. The business telephone numbers of Blue Pacific are 670-288-1178 and 670-285-1799. The number 670-288-1178 is also listed as the private telephone number of defendant James A. SANTOS.

5. At all times material to the Indictment, Timothy P. VILLAGOMEZ was a United States citizen residing in the CNMI. From April 1994 to January 2002, Timothy P. VILLAGOMEZ served as Executive Director of the CUC. On January 9, 2006, Timothy P. VILLAGOMEZ was sworn in as Lieutenant Governor of the CNMI, a position that he continues to hold as of the date of this Indictment. Timothy P. VILLAGOMEZ is the brother of co-

1 defendant Joaquina V. SANTOS, and brother-in-law of co-defendant James A. SANTOS.

2 6. At all times material to the Indictment, James A. SANTOS was a United States
3 citizen residing in the CNMI. On or about July 21, 2006, the CNMI Senate confirmed James A.
4 SANTOS as Secretary of Commerce of the CNMI, a position that he continues to hold as of the
5 date of this Indictment. James A. SANTOS is the spouse of co-defendant Joaquina V. SANTOS,
6 and brother-in-law of co-defendant Timothy P. VILLAGOMEZ.
7

8 7. At all times material to the Indictment, Joaquina V. SANTOS was a United States
9 citizen residing in the CNMI. Joaquina V. SANTOS is the sister of co-defendant Timothy P.
10 VILLAGOMEZ, and the spouse of co-defendant James A. SANTOS.
11

12 8. At all times material to the Indictment, Anthony C. GUERRERO, was a United
13 States citizen residing in the CNMI. On or about September 6, 2006, upon nomination by then-
14 acting Governor Timothy P. VILLAGOMEZ, Anthony C. GUERRERO was confirmed as
15 Executive Director of the CUC, a position which he held until on or about May 4, 2008.
16

17 OBJECTS OF THE CONSPIRACY

18 **The 1998-2000 Transactions**
19

20 9. Beginning on or about February 2, 1998, defendants Timothy P. VILLAGOMEZ,
21 and James A. SANTOS, agreed upon and initiated a scheme whereby Timothy P.
22 VILLAGOMEZ, acting in his capacity as Executive Director, caused the CUC to enter into
23 agreements to purchase a product called "Rydlyme" from ISLAS, a company owned and operated
24 by defendant James A. SANTOS.
25

26 10. The agreements provided a benefit to defendant James A. SANTOS of Two
27 Hundred Eighty Six Thousand, One Hundred Twenty-Five Dollars (\$286,125.00) from the CUC.
28

1 The cost associated with the agreements was approximately Sixty Eighty Thousand, Five
2 Hundred Seventy Dollars (\$68,570.00). The agreements were less than arm's-length and were
3 intended to circumvent numerous CNMI procurement policies and regulations, as well as
4 conflict-of-interest statutes.
5

6 **The 2007 Transaction**

7 11. In or about August 2007, defendants Timothy P. VILLAGOMEZ and James A.
8 SANTOS, joined with Joaquina V. SANTOS, to execute the objects of the conspiracy again, this
9 time enlisting the assistance of defendant Anthony C. GUERRERO and several unindicted co-
10 conspirators.
11

12 12. Defendant Timothy P. VILLAGOMEZ, now serving as Lieutenant Governor and
13 designated by Governor Benigno Fitial to oversee CUC operations on or about March 20, 2006,
14 agreed with defendants Joaquina V. SANTOS and James A. SANTOS to cause the CUC to enter
15 into a new contract to purchase Rydlyme from Blue Pacific. Defendant Timothy P.
16 VILLAGOMEZ, acting under color of his official position, counseled, commanded, induced and
17 procured defendant Anthony C. GUERRERO and an unindicted co-conspirator to initiate and
18 facilitate, approve and fulfill, the agreement to purchase Rydlyme on behalf of CUC.
19
20

21 13. Said agreement called for a payment of One Hundred Twenty Thousand Dollars
22 (\$120,000) to Blue Pacific. The cost associated with the agreement was Thirty Thousand, Six
23 Hundred and Seventy-Six Dollars (\$30,676.00). The agreement was less than arm's-length and
24 was designed to circumvent numerous CNMI procurement policies and regulations, as well as
25 conflict-of-interest statutes.
26

27 14. Based on the CUC's experience with the 1998-2000 purchases, which included
28

1 damage to the CUC's equipment, and resulted in the limited use of Rydlyme only for other
2 purposes, such as cleaning tools, cement floors, and plumbing systems. Most of the Rydlyme
3 was disposed of or put in storage.
4

5 15. Of the eight thousand, one hundred and seventy-five gallons of Rydlyme from the
6 1998-2000 purchases not used, at least one thousand, four hundred and eighty-five gallons
7 remain in storage on the island of Rota. Notwithstanding the presence of Rydlyme on Rota, the
8 sole-source, emergency purchase of an additional three thousand gallons of Rydlyme in 2007 was
9 justified on the basis that it was urgently needed.
10

11 16. As of the date of this Indictment, approximately three hundred and fifty gallons of
12 the three thousand gallons of Rydlyme acquired in the 2007 purchase has been used by CUC.
13

14 Overt Acts

15 17. The overt acts taken in furtherance of the scheme include but are not limited to:

16 a. On or about February 6, 1998, defendant James A. SANTOS sent by fax to
17 defendant Timothy P. VILLAGOMEZ, a letter on behalf of ISLAS, quoting a price of Thirty Five
18 Dollars (\$35.00) per gallon for three hundred and seventy-five gallons of Rydlyme.
19

20 b. On or about April 1, 1998, defendant Timothy P. VILLAGOMEZ
21 approved CUC Purchase Order 98-1267, authorizing CUC's purchase of three hundred and
22 seventy-five gallons of Rydlyme for a price of Thirteen Thousand, One Hundred and Twenty-
23 Five Dollars (\$13,125.00).
24

25 c. On or about April 15, 1998, defendant Timothy P. VILLAGOMEZ signed
26
27 Check number 37848, drawn upon CUC's Operations Fund account and making payment to
28

1 ISLAS in the amount of Thirteen Thousand, One Hundred and Twenty-Five Dollars
2 (\$13,125.00).

3
4 d. On or about April 24, 1998, defendant James A. SANTOS sent the CUC
5 Procurement and Supply Office a letter on behalf of ISLAS, quoting a price of Seventy Thousand
6 Dollars (\$70,000.00) for two thousand gallons of Rydlyme.
7

8
9 e. On or about May 1, 1998, defendant Timothy P. VILLAGOMEZ
10 approved: (1) CUC Purchase Order 98-1419, authorizing CUC's purchase of one thousand
11 gallons of Rydlyme for a price of Thirty-Five Thousand Dollars (\$35,000.00) for the island of
12 Rota; and (2) CUC Purchase Order 98-1430, authorizing CUC's purchase of one thousand
13 gallons of Rydlyme for a price of Thirty-Five Thousand Dollars (\$35,000) for the island of
14 Tinian.
15

16
17 f. On or about June 26, 1998, defendant Timothy P. VILLAGOMEZ signed
18 Check number 38720, drawn upon CUC's Operations Fund account and making payment to
19 ISLAS in the amount of One Hundred and One Thousand, Three Hundred and Fifty Dollars
20 (\$101,350.00). Seventy Thousand (\$70,000.00) was payment for Purchase Orders 98-1419 and
21 98-1430.
22

23
24 g. On or about July 13, 1998, defendant James A. SANTOS sent the CUC
25 Procurement and Supply Section a letter on behalf of ISLAS, quoting a price of Thirty-Five
26 Dollars (\$35.00) per gallon of Rydlyme.
27

28 h. On or about August 3, 1998, defendant Timothy P. VILLAGOMEZ

1 approved: (1) CUC Purchase Order 98-2140, authorizing CUC's purchase of one thousand
2 gallons of Rydlyme for a price of Thirty-Five Thousand Dollars (\$35,000.00) for the island of
3 Saipan; (2) CUC Purchase Order 98-2144, authorizing CUC's purchase of one thousand gallons
4 of Rydlyme for a price of Thirty-Five Thousand Dollars (\$35,000.00) for the island of Rota; and
5 (3) CUC Purchase Order 98-2147, authorizing CUC's purchase of one thousand gallons of
6 Rydlyme for a price of Thirty-Five Thousand Dollars (\$35,000.00) for the island of Tinian.
7
8

9 i. On or about September 14, 1998, defendant Timothy P. VILLAGOMEZ
10 signed Check number 39727, drawn upon CUC's Operations Fund account and making payment
11 to ISLAS in the amount of One Hundred and Five Thousand Dollars (\$105,000.00) in payment
12 for Purchase Orders 98-2140, 98-2144 and 98-2147.
13
14

15 j. On or about June 22, 1999, defendant Timothy P. VILLAGOMEZ
16 approved CUC Purchase Order 99-2143, authorizing CUC's purchase of one thousand, four
17 hundred gallons of Rydlyme for a price of Forty-Nine Thousand Dollars (\$49,000.00) for the
18 island of Saipan.
19

20 k. On or about December 28, 1999, defendant James A. SANTOS sent the
21 CUC Procurement Division a letter on behalf of ISLAS, quoting a price of Thirty-Five Dollars
22 (\$35.00) per gallon for two thousand gallons of Rydlyme.
23
24

25 l. On or about January 4, 2000, defendant Timothy P. VILLAGOMEZ
26 approved CUC Purchase Order 00-0759, authorizing CUC's purchase of one thousand four
27 hundred gallons of Rydlyme for a price of Forty-Nine Thousand Dollars (\$49,000.00).
28

1 m. On or about August 7, 2007, defendant James A. SANTOS sent an e-mail
2 message to Apex Engineering Products Corporation ("Apex"), requesting a quote for Rydlyme.
3

4 n. On or about August 23, 2007, defendant Joaquina V. SANTOS obtained a
5 CNMI business license for Blue Pacific from the CNMI Department of Finance.
6

7 o. On or about August 27, 2007, defendant Joaquina V. SANTOS sent an
8 unsolicited letter on Blue Pacific letterhead to CUC's Procurement Manager; it quoted a price of
9 Thirty-Five Dollars (\$35.00) per gallon of Rydlyme for orders over three thousand gallons, and
10 Forty Dollars (\$40.00) per gallon of Rydlyme under three thousand gallons.
11

12 p. On or about September 11, 2007, an employee of CUC drafted a Request
13 Voucher for ten drums (550 gallons) of Rydlyme. On or about September 12, 2007, an
14 unindicted co-conspirator ordered another CUC employee to increase that amount to twenty
15 drums (1,100 gallons).
16
17

18 q. On or about September 18, 2007, defendant James A. SANTOS sent an
19 email to Apex stating his intent to order two thousand, nine hundred and seventy gallons of
20 Rydlyme "by early next week." He also indicated his intent to wire transfer payment "this
21 weekend."
22
23

24 r. On or about September 25, 2007, an unindicted co-conspirator amended
25 the Request Voucher, increasing the amount of Rydlyme requested to sixty drums (3,300
26 gallons).
27
28

1 s. On or about September 28, 2007, defendant James A. SANTOS caused to
2 be wire transferred the amount of Thirty Thousand, Six Hundred and Seventy-Six Dollars
3 (\$30,676.00) from the Northern Mariana Islands to a bank in Aurora, Illinois.
4

5 t. On or about October 1, 2007, an unindicted co-conspirator approved
6 Requisition Voucher number PGS 08-001 for the emergency procurement of sixty drums of
7 Rydlyme.
8

9
10 u. On or about October 3, 2007 defendant James A. SANTOS, acting on
11 behalf of Blue Pacific, ordered nine totes (2,970 gallons) of Rydlyme from Apex for a total cost,
12 including delivery, of Thirty Thousand, Six Hundred and Seventy-Six Dollars (\$30,676.00).
13

14 v. On or about October 18, 2007, an unindicted co-conspirator sent a
15 justification memo for the sole source purchase of Rydlyme to defendant Anthony C.
16 GUERRERO, who approved the sole source purchase on October 22, 2007.
17

18
19 w. On or about October 26, 2007, defendant Joaquina V. SANTOS sent a
20 letter to the CUC Procurement Manager confirming the purchase of three thousand gallons of
21 Rydlyme for a total cost of One Hundred and Twenty Thousand Dollars (\$120,000.00),
22 indicating that the shipment was en route.
23

24 x. On or about November 16, 2007, defendant Anthony C. GUERRERO
25 signed and had sent via facsimile a letter to defendant Joaquina V. SANTOS notifying Blue
26 Pacific that CUC would proceed with Contract number CUC-PG-08-C004, relating to the
27 purchase of Rydlyme.
28

1 y. On or about November 16, 2007, defendants Anthony C. GUERRERO
2 and Joaquina V. SANTOS, along with an unindicted co-conspirator, signed Contract number
3 CUC-PG-08-C004.
4

5 z. On or about December 4, 2007, defendant Anthony C. GUERRERO
6 authorized payment of Fifty Thousand Dollars (\$50,000.00) to Blue Pacific.
7

8 aa. On or about December 6, 2007, defendant Joaquina V. SANTOS sent a
9 letter to CUC authorizing Charlene M. TENORIO to receive CUC's payment check on behalf of
10 Blue Pacific.
11

12 bb. On or about January 15, 2008, defendant Anthony C. GUERRERO
13 authorized payment of Ten Thousand Dollars (\$10,000.00) to Blue Pacific.
14

15 cc. On multiple occasions throughout the conspiracy, defendant Timothy P.
16 VILLAGOMEZ called defendant Anthony C. GUERRERO, as well as other CUC officers and
17 employees seeking information on the status of the transaction, acts that pressured CUC's
18 officers into making the transaction occur. On at least one occasion, defendant Timothy P.
19 VILLAGOMEZ ordered a CUC employee to "pay my sister".
20
21

22
23 **COUNT TWO**

24 **WIRE FRAUD**

25 18. The Grand Jury realleges, adopts and incorporates by reference herein, the
26 allegations contained in paragraphs two, four through eight, and eleven through sixteen as if fully
27 set forth herein.
28

1 19. On or about September 28, 2007, having devised and intending to devise the
2 foregoing scheme and artifice to defraud and for obtaining money and property by means of false
3 pretenses, representations, and promises, and to deprive other persons of the intangible right of
4 honest services, defendants Timothy P. VILLAGOMEZ, Anthony C. GUERRERO, Joaquina V.
5 SANTOS, and James A. SANTOS, within the District of the Northern Mariana Islands and
6 elsewhere, for the purpose of executing such scheme and artifice and attempting to do so, caused
7 to be transmitted, certain signals and sounds by means of wire or radio communications in
8 interstate and foreign commerce, to wit: a wire transaction in the amount of Thirty Thousand, Six
9 Hundred and Seventy-Six Dollars (\$30,676.00), that required electronic communications
10 between the CNMI and Aurora, Illinois, in violation of Title 18, United States Code, Sections
11 1343, 1346 and 2.
12
13
14

15 **COUNT THREE**

16 **THEFT CONCERNING FEDERAL FUNDS**

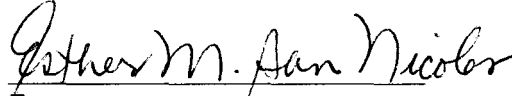
17 20. The Grand Jury realleges, adopts and incorporates by reference herein, the
18 allegations contained in paragraphs two, four through eight, and eleven through sixteen as if fully
19 set forth herein.
20

21 21. From in or about August 2007 and continuing to in or about January 2008,
22 defendants Timothy P. VILLAGOMEZ, Anthony C. GUERRERO, and James A. SANTOS,
23 acting as agents of a local government or an agency thereof, aided and abetted by defendant
24 Joaquina V. SANTOS, within the District of the Northern Mariana Islands and elsewhere, did
25 embezzle, steal, obtain by fraud, knowingly convert, without authority, to the use of persons
26 other than the rightful owners, and intentionally misapply, without authority, property that is
27
28

1 valued at more than Five Thousand Dollars (\$5,000.00), and was owned by and under the care,
2 custody and control of a government and agency that received benefits under a Federal program
3 in excess of Ten Thousand Dollars (\$10,000.00) during a one-year period, to wit: by using their
4 official positions within the CNMI government to promote and engage in the transaction
5 described in paragraphs eleven through sixteen above, in violation of Title 18, United States
6 Code, Section 666, and 2.
7


8
9
10 Dated this __ day of July 2008.

11
12 A TRUE BILL.


13
14 
15 Foreperson

16
17 LEONARDO M. RAPADAS
18 United States Attorney
Districts of Guam and NMI

19
20 By:


ERIC S. O'MALLEY
Assistant United States Attorney

21
22
23 Approved By:

24 
25
26 JEFFREY J. STRAND
27 First Assistant United States Attorney
28